

MARVEL
COMICS



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QUARTERLY REPORT

ALWAYS CLASSIC!
ALWAYS CUTTING-EDGE!



64% GAIN IN 3RD QUARTER NET INCOME

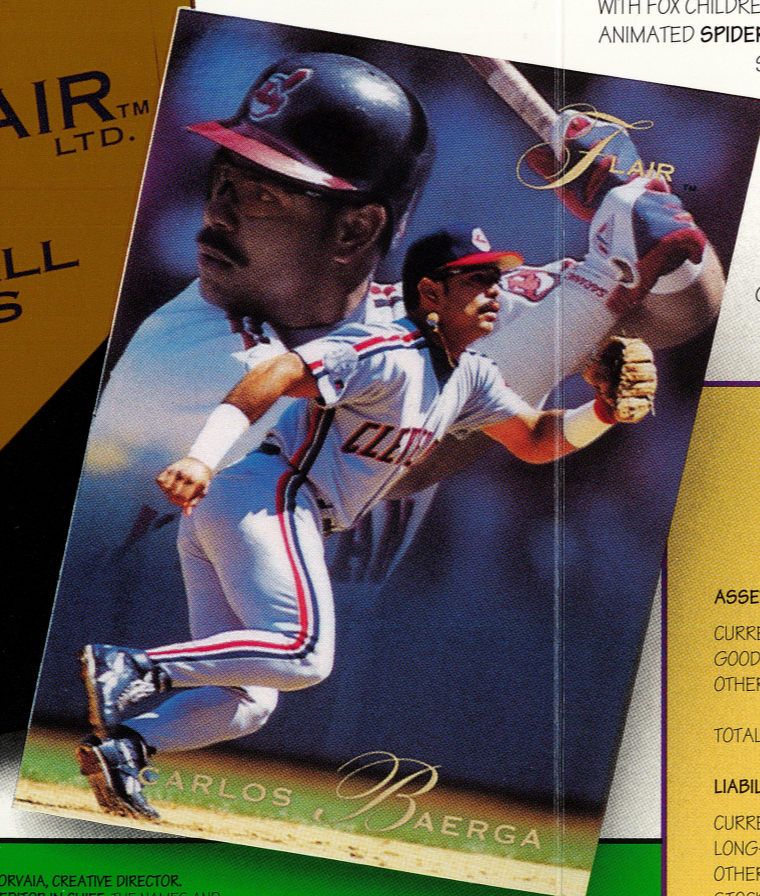
MARVEL ENTERTAINMENT GROUP, INC. CONDENSED CONSOLIDATED STATEMENTS OF INCOME (DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA) (UNAUDITED)

	THREE MONTHS ENDED SEPT. 30,		NINE MONTHS ENDED SEPT. 30,	
	1993	1992	1993	1992
NET REVENUES.....	\$104,680	\$ 62,337	\$300,417	\$ 130,051
COST OF SALES.....	54,599	29,994	152,323	61,287
GROSS PROFIT.....	50,081	32,343	148,094	68,764
SELLING, GENERAL & ADMINISTRATIVE EXPENSES.....	19,260	11,803	61,130	25,367
INTEREST EXPENSE, NET.....	3,460	1,831	11,676	2,236
AMORTIZATION OF GOODWILL, INTANGIBLES AND DEFERRED CHARGES.....	2,496	1,146	7,464	2,154
INCOME BEFORE PROVISION FOR INCOME TAXES AND EQUITY IN NET INCOME OF TOY BIZ.....	24,865	17,563	67,824	39,007
PROVISION FOR INCOME TAXES.....	10,742	7,515	30,180	16,756
INCOME BEFORE EQUITY IN NET INCOME OF TOY BIZ.....	14,123	10,048	37,644	22,251
EQUITY IN NET INCOME OF TOY BIZ.....	2,358	—	3,417	—
NET INCOME.....	\$ 16,481	\$ 10,048	\$ 41,061	\$ 22,251
EARNINGS PER SHARE.....	\$ 0.16	\$ 0.10	\$ 0.40	\$ 0.23
WEIGHTED AVERAGE NUMBER OF COMMON AND COMMON EQUIVALENT SHARES OUTSTANDING (IN THOUSANDS)*.....	102,958	98,728	101,818	98,348

*AS ADJUSTED FOR THE TWO-FOR-ONE STOCK SPLITS IN DECEMBER 1992 AND NOVEMBER 1993.

ON THE COVER—COMIC BOOK LEGEND JOHN BUSCEMA PENCILLED, GREG ADAMS INKED, AND GEORGE ROUSSOS COLORED THE HOT, NEW "IN YOUR FACE" '90s LOOKS OF SOME CLASSIC AND NEW MARVEL CHARACTERS—IRON MAN, DAREDEVIL, INVISIBLE WOMAN, SPIDER-MAN 2099, AND THUNDERSTRIKE—AND THE LOOKS THEY EVOLVED FROM IN THE '60s. THE BACK COVER FEATURES THE GROWING NUMBER OF TOY BIZ AND LICENSED CONSUMER AND ADVERTISING PRODUCTS FEATURING THE X-MEN, SPIDER-MAN AND OTHER MARVEL SUPER HEROES.

CLOCKWISE FROM RIGHT, FLEER ULTRA PREMIUM NATIONAL HOCKEY LEAGUE CARDS, THREE OF THE QUARTER'S TOP SELLING MARVEL COMICS CELEBRATING THE 30TH ANNIVERSARY OF THE X-MEN, THE NEW FLAIR SUPER PREMIUM MAJOR LEAGUE BASEBALL CARDS FROM FLEER, AND THE AWARD-WINNING PRETTY & ME DOLL FROM TOY BIZ.



MARVEL ENTERTAINMENT GROUP, INC. SET NET REVENUE AND PROFITABILITY RECORDS FOR BOTH THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 1993. NET REVENUES AND PROFITABILITY INCREASES WERE DUE TO THE GROWING STRENGTH OF THE COMPANY'S EXPANDING ENTERTAINMENT PRODUCTS.

FOR THE THIRD QUARTER ENDED SEPTEMBER 30, 1993, NET INCOME GREW 64.0% TO \$16.5 MILLION OR \$0.16 PER SHARE ON 103.0 MILLION WEIGHTED AVERAGE SHARES OUTSTANDING COMPARED TO \$10.0 MILLION OR \$0.10 PER SHARE ON 98.7 MILLION WEIGHTED AVERAGE SHARES OUTSTANDING IN THE YEAR-AGO QUARTER. NET REVENUES ROSE 67.9% TO \$104.7 MILLION COMPARED TO \$62.3 MILLION IN THE YEAR-AGO QUARTER.

RESULTS INCLUDE FLEER CORP., WHICH WAS ACQUIRED SEPTEMBER 1, 1992, AND A 46% EQUITY INTEREST IN TOY BIZ, INC., OBTAINED ON APRIL 30, 1993. EARNINGS PER SHARE HAVE BEEN ADJUSTED TO REFLECT A 2-FOR-1 STOCK SPLIT DECLARED SEPTEMBER 17, 1993 TO SHAREHOLDERS OF RECORD OCTOBER 15, 1993 FOR NOVEMBER 1, 1993 DISTRIBUTION.

TOP MARVEL COMICS TITLES FOR THE THIRD QUARTER INCLUDED SPECIAL ISSUES OF

UNCANNY X-MEN, X-FACTOR AND X-FORCE CELEBRATING THE X-MEN'S 30TH ANNIVERSARY, THE DEBUT OF THE X-MEN 2099 ON-GOING SERIES AND THE DAREDEVIL: MAN WITHOUT FEAR LIMITED SERIES. CONSUMER PRODUCTS LICENSING WAS HIGHLIGHTED BY ROYALTIES FROM EXPANDED SALES OF X-MEN AND SPIDER-MAN VIDEO GAMES. ADVERTISING INCLUDED A NATIONAL PROMOTION WITH PIZZA HUT STARRING THE X-MEN.

SPORTS PICTURE CARDS AND CONFECTIONARY PRODUCTS ADDED \$52.7 MILLION IN NET REVENUES AS A RESULT OF THE CONTINUED SUCCESS OF FLEER ULTRA SPORTS PICTURE CARDS AND THE INTRODUCTION OF THE NEW FLAIR SUPER-PREMIUM BASEBALL CARDS, WHICH HAVE A \$4.00 SUGGESTED RETAIL PRICE PER PACK.

TOY BIZ, DRIVEN BY THE GROWING POPULARITY OF X-MEN ACTION FIGURES AND OTHER TOY LINES SUCH AS PRETTY & ME DOLLS AND CABOODLES, CONTRIBUTED \$2.4 MILLION IN NET INCOME.

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1993, NET INCOME GREW 84.5% TO \$41.1 MILLION OR \$0.40 PER SHARE ON 101.8 MILLION WEIGHTED AVERAGE SHARES OUTSTANDING COMPARED TO \$22.3 MILLION OR \$0.23 PER SHARE ON 98.3 MILLION WEIGHTED AVERAGE SHARES OUTSTANDING IN THE YEAR-AGO PERIOD. NET REVENUES ROSE 131.0% TO \$300.4 MILLION COMPARED TO \$130.1 MILLION IN THE YEAR-AGO PERIOD.

NET PUBLISHING REVENUES GREW AS A RESULT OF AN INCREASE IN UNIT VOLUME AND THE SPECIAL MERCHANDISING OF SELECTED TITLES. CONSUMER PRODUCTS LICENSING AND ADVERTISING REVENUES INCREASED BECAUSE OF GROWING ROYALTIES FROM EXPANDED SALES OF VIDEO GAMES AND MARVEL SUPER HERO CARDS, ADVERTISING PROMOTIONS AND A LICENSING AGREEMENT WITH FOX CHILDREN'S NETWORK TO PRODUCE A 65-SEGMENT ANIMATED SPIDER-MAN SERIES FOR THE 1994-1995 TV SEASON.

SPORTS PICTURE CARDS AND CONFECTIONARY PRODUCTS CONTRIBUTED \$160.1 MILLION IN NET REVENUES DUE TO THE SUCCESS OF FLEER ULTRA BASEBALL, BASKETBALL AND HOCKEY CARDS AND THE DEBUT OF FLAIR SUPER-PREMIUM BASEBALL CARDS. TOY BIZ CONTRIBUTED \$3.4 MILLION IN NET INCOME.

FOR BOTH THE THREE AND NINE MONTH PERIODS, GROSS PROFIT AS A PERCENTAGE OF NET REVENUES

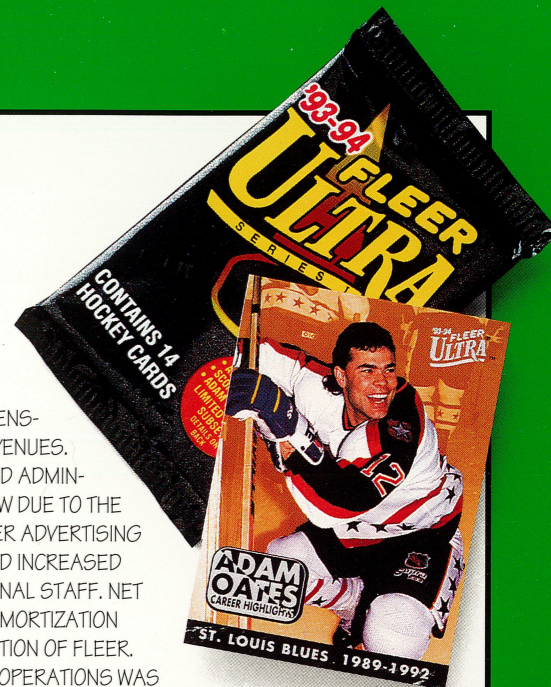
DECLINED, REFLECTING FLEER'S DIFFERENT COST PROFILE, WHICH WAS PARTIALLY OFFSET BY INCREASED PUBLISHING, CONSUMER PRODUCTS LICENSING AND ADVERTISING REVENUES.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES GREW DUE TO THE ADDITION OF FLEER, HIGHER ADVERTISING AND OTHER EXPENSES AND INCREASED SALARIES DUE TO ADDITIONAL STAFF. NET INTEREST EXPENSE AND AMORTIZATION ROSE DUE TO THE ACQUISITION OF FLEER.

CASH GENERATED BY OPERATIONS WAS USED TO REDUCE OUTSTANDING INDEBTEDNESS BY \$13.2 MILLION TO \$250.7 MILLION FROM \$263.9 MILLION AT DECEMBER 31, 1992, AND TO FINANCE THE INVESTMENT IN TOY BIZ.

MAKE MINE MARVEL!

—BILL BEVINS, CEO AND
TERRY STEWART, PRESIDENT & COO



MARVEL ENTERTAINMENT GROUP, INC. CONDENSED CONSOLIDATED BALANCE SHEETS (DOLLARS IN THOUSANDS) (UNAUDITED)

	SEPT. 30, 1993	DEC. 31, 1992
ASSETS		
CURRENT ASSETS.....	\$ 105,083	\$ 110,411
GOODWILL, TRADEMARKS AND OTHER INTANGIBLES, NET.....	300,985	301,953
OTHER ASSETS.....	41,271	27,667
TOTAL ASSETS.....	\$ 447,339	\$ 440,031
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES.....	\$ 101,006	\$ 114,265
LONG-TERM DEBT.....	210,615	201,165
OTHER LIABILITIES.....	10,654	39,844
STOCKHOLDERS' EQUITY.....	125,064	84,757
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY.....	\$ 447,339	\$ 440,031

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